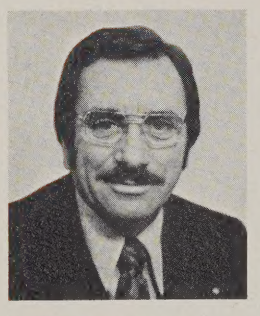
MID INDUSTRIES AND EXPLORATIONS LIMITED

18TH ANNUAL REPORT – DECEMBER 31, 1973

REPORT OF THE DIRECTORS



To the Shareholders

FINANCIAL POSITION

The year ended December 31, 1973 was a success in terms of operating results, and has allowed your management to make certain investments that should enhance the future success of the Company.

Sales for the year reached $30,477,330, which is a 48 per cent increase over 1972. Before tax profits (excluding extraordinary items) rose by 57 per cent to $620,265. Net income after tax and extraordinary items reached $291,465, a 34 per cent increase over 1972.

These results allowed the Company to declare capital distributions of $100,000. These distributions are not income dividends and are therefore not taxable. However, they do lower a shareholder's cost base for capital gains purposes.

COMPANY OPERATIONS

Dingwall Ford Sales and Windsor Car Rentals continued to enjoy increased sales and profits in the Windsor market. New and used vehicle sales, along with parts and service sales reached new levels of achievement. The decision to increase the investment in the truck parts and service facility enabled these companies to penetrate further the large market available for these services in south western Ontario.

Sherway Ford Truck Sales contributed an excellent sales and profit increase. The additional facilities added here, allowed the Company to capitalize on the increased demand for trucks and equipment in the Toronto market. The leasing division, "Sherway Leasing", expanded its operations and entered the fast rising market for the short-term rentals of tractors and trailers.

Mid Collision and Equipment which commenced operations in 1973, has not proved profitable to date. This division experienced difficulty in finding qualified personnel. Efforts to correct this situation have been made and results for 1974 are expected to be satisfactory.

INVESTMENTS

The Company has been investigating possibilities in the petroleum and natural gas industries and as a result has made two significant investments. A 5 per cent working interest was acquired from Alberta Eastern Gas Limited in acreage in the Drumheller area of Alberta. The initial investment is for $50,000. Alberta Eastern is carrying out an exploratory drilling programme on these lands.

The Company also negotiated the purchase of a 3.3 per cent gross overriding royalty interest in approximately 22000 acres in the Princess area of Alberta. This investment cost $260,000, and should start producing revenue in 1975.

The Company believes that these investments will prove significant in the future.

DEFERRED PROFIT SHARING PLAN

In the competitive labour market that exists today, your Company has been looking for ways to have its employees become more involved in the operations, and to have them take an interest in the future success of the Company. With this in mind, the Company set up a Deferred Profit Sharing Plan that will go into effect in 1974. It is the intention of management that funds allocated to this plan on behalf of employees will be invested in Company shares when practical and allocated to employees in proportion to their relative incomes on an annual basis. Arrangements of this type should benefit shareholders and employees alike in aiding the Company to grow in the future and should provide a significant benefit to the employees on retirement.

NEW STOCK EXCHANGE LISTING

As you are aware, the Canadian and Montreal Stock Exchanges merged January 1, 1974. At the request of the new Montreal Stock Exchange, the Company was listed as a Junior Industrial.

OUTLOOK

The general economic outlook in Canada for 1974 indicates a relatively small gain in economic activity other than capital spending. In view of the strong position that the Company has developed in the commercial truck and equipment field (two-thirds of 1973 sales), your management group is forecasting another successful year in 1974. While the level of sales should show a small increase, the main challenge to our management group will be in controlling expenses in an inflationary economy.

APPRECIATION

On behalf of the Board of Directors, I would like to express the sincere thanks to all of the people associated with the Mid Group of companies for their efforts which have resulted in the gratifying results to date. I am confident with the continued loyal support of all employees, that we can achieve even greater results.

Respectfully submitted on behalf of the Board of Directors.

W. G. Dingwall
President

MID INDUSTRIES
AND EXPLORATIONS LIMITED
(No Personal Liability)

COMPARATIVE HIGHLIGHTS

	Increase over Last year	1973	1972
Sales	48%	30,477,330	20,629,371
Income before tax and extraordinary items	57%	620,265	395,295
Net income before extraordinary item	48%	291,465	197,195
Net income after extraordinary item	34%	291,465	217,195
Earnings per share		0.06	0.04
Capital distribution		100,000	—
Capital distribution per share		0.02	—
At December 31st:			
Shareholders' equity	15%	1,427,211	1,235,746
Equity per common share		0.28	0.25
Working capital	19%	1,203,427	1,012,298
Cash flow from operations	64%	934,370	571,093
Cash flow per share		0.18	0.11
Total employees	26%	208	165
Total payroll for the year	33%	2,862,000	2,144,000
Total employee benefits	22%	84,300	69,100
Net income as a % of sales, excluding extraordinary items		.9%	.9%
Net income as a % of shareholders' equity		20.5%	15.9%

MID INDUSTRIES
AND EXPLORATIONS LIMITED
(No Personal Liability)
(Incorporated under the Quebec Mining Companies Act)

CONSOLIDATED BALANCE SHEET, DECEMBER 31, 1973

ASSETS

	1973	1972
Current:		
Cash		$ 176,364
Marketable securities, at cost less provision for loss (market value 1973 – $116,532; 1972 – $133,852)	$ 95,024	95,024
Accounts receivable	2,282,672	1,914,582
Inventories (note 2)	3,263,100	3,142,718
Prepaid expenses	23,649	40,545
Total current assets	5,664,445	5,369,230
Lease (note 3):		
Lease purchase contracts, net of deferred revenue	996,674	859,849
Leased vehicles, at amortized cost	1,271,207	1,069,588
Rental vehicles, at amortized cost	967,491	
Total lease assets	3,235,372	1,929,437
Gas, oil and mining interests (note 10)	5,000	1
Fixed, at cost:		
Furniture and fixtures, equipment and leasehold improvements	625,296	536,976
Less accumulated depreciation and amortization	279,784	209,387
Net fixed assets	345,512	327,589
Other:		
Due from a director (note 4)	51,250	56,250
Excess of cost of shares acquired over fair value of underlying net assets of subsidiary companies at date of acquisition	739,509	739,509
Total other assets	790,759	795,759
	$10,041,088	$8,422,019

LIABILITIES AND SHAREHOLDERS' EQUITY

	1973	1972
Current:		
Bank indebtedness	$ 86,136	
Accounts payable and accrued liabilities	656,231	$ 767,046
Customer deposits	77,721	47,736
Income and other taxes payable	169,762	204,895
Lien notes (note 5)	3,184,892	3,225,292
Current portion of long-term liabilities (note 6)	286,276	111,975
Total current liabilities	4,461,018	4,356,944
Long-term liabilities (note 6)	3,900,359	2,716,829
Deferred income taxes	252,500	112,500
Shareholders' equity:		
Capital stock (note 7) –		
Authorized:		
7,500,000 common shares of no par value		
Issued:		
5,000,000 shares	2,331,257	2,431,257
Deficit (statement 2)	(904,046)	(1,195,511)
Net shareholders' equity	1,427,211	1,235,746
	$10,041,088	$8,422,019

On behalf of the Board:

Director: W. G. DINGWALL

Director: J. R. SHEMILT

(See accompanying notes)

MID INDUSTRIES
AND EXPLORATIONS LIMITED
(No Personal Liability)

STATEMENT 2

CONSOLIDATED STATEMENT OF DEFICIT

FOR THE YEAR ENDED DECEMBER 31, 1973

	1973	1972
Deficit, beginning of year	$1,195,511	$1,412,706
Profit for the year (statement 3)	291,465	217,195
Deficit, end of year	$ 904,046	$1,195,511

(See accompanying notes)

AUDITORS' REPORT

To the Shareholders of
Mid Industries and Explorations Limited
(No Personal Liability):

We have examined the consolidated balance sheet of Mid Industries and Explorations Limited (No Personal Liability) as at December 31, 1973 and the consolidated statements of profit and loss, deficit and source and application of funds for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us, and as shown by the books of the companies, these consolidated financial statements are properly drawn up so as to exhibit a true and correct view of the state of the consolidated affairs of the companies as at December 31, 1973 and the consolidated results of their operations and the consolidated source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
February 22, 1974.

CLARKSON, GORDON & CO.
Chartered Accountants

MID INDUSTRIES
AND EXPLORATIONS LIMITED
(No Personal Liability)

STATEMENT 3

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

FOR THE YEAR ENDED DECEMBER 31, 1973

	1973	1972
Sales and earned income	$30,477,330	$20,629,371
Costs and expenses:		
Cost of sales and expenses exclusive of the undernoted items	29,083,050	19,618,466
Depreciation and amortization –		
Leased and rental vehicles	432,507	355,949
Furniture and fixtures, equipment and leasehold improvements	70,398	50,375
Interest on long-term liabilities	271,110	209,286
	29,857,065	20,234,016
Profit before income taxes and extraordinary items	620,265	395,295
Income tax provision – current	188,800	232,500
– deferred	140,000	(34,400)
	328,800	198,100
Profit before extraordinary items	291,465	197,195
Extraordinary items:		
Loss on sale of shares of a subsidiary company		(40,000)
Recovery of income taxes provided resulting from the application of an income tax loss carry forward		60,000
Net profit for the year	$ 291,465	$ 217,195
Profit per share		
Before extraordinary items	$0.06	$0.04
For year	$0.06	$0.04

(See accompanying notes)

MID INDUSTRIES AND EXPLORATIONS LIMITED
(No Personal Liability)

STATEMENT 4

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED DECEMBER 31, 1973

	1973	1972
Source of funds:		
From operations –		
Net profit for the year	$ 291,465	$ 217,195
Add (deduct) items not involving a flow of funds:		
Depreciation and amortization –		
Leased and rental vehicles	432,507	355,949
Furniture and fixtures, equipment and leasehold improvements	70,398	50,375
Deferred income taxes	140,000	(34,400)
Profit on disposal of fixed assets and leased vehicles		(18,026)
Funds provided by operations	934,370	571,093
Increase in long-term liabilities – net	1,183,530	288,232
Proceeds on disposal of leased vehicles	346,073	332,709
Principal repayments on lease purchase contracts	368,612	217,006
Proceeds on sale of fixed assets		80,071
Reduction of loan to a director	5,000	5,000
Total source of funds	2,837,585	1,494,111
Application of funds:		
Additions to lease purchase contracts	505,437	709,390
Additions to leased and rental vehicles	1,947,690	618,198
Additions to fixed assets	88,320	146,453
Deferred income taxes		79,900
Investment in gas and oil interests	5,000	
Distribution of share capital	100,000	
Total application of funds	2,646,447	1,553,941
Increase (decrease) in working capital for the year	191,138	(59,830)
Working capital, beginning of year	1,012,289	1,072,119
Working capital, end of year	$1,203,427	$1,012,298

(See accompanying notes)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1973

1. Principles of consolidation

The consolidated financial statements include the accounts of the company and its subsidiaries, all of which are wholly-owned, including Dingwall Ford Sales Limited, Sherway Ford Truck Sales (1972) Limited, and Mid Services Limited (formerly Red Barn System (Western) Limited).

2. Inventories

	1973	1972
New vehicles, at the lower of cost and estimated realizable value	$2,429,106	$2,400,253
Used vehicles, at the lower of cost and estimated realizable value	370,281	405,436
Parts, accessories, and other, at replacement cost	463,713	337,029
	$3,263,100	$3,142,718

3. Lease assets

A subsidiary company enters into a significant number of lease agreements in which the cost of the vehicles is recovered from the lease payments. In accordance with current accounting practice the present value of the future payments under the contracts is recorded in the balance sheet under the caption "lease purchase contracts".

In addition to the above, subsidiary companies have entered into lease agreements with customers under which the present value of lease payments results in a residual value for the vehicles. Such vehicles are recorded as leased vehicles and are depreciated to their estimated realizable value over the period of the related lease agreements.

In 1973 a subsidiary company started a truck and trailer rental business on a daily, weekly or monthly basis. The costs of the vehicles involved in this business are being amortized over their estimated useful lives.

4. Due from director

During the year ended April 30, 1970, 125,000 shares were issued to a director and officer of the company for $71,250. These shares are presently being held in escrow pending payment therefor. In accordance with the terms of the agreement under which the shares were issued, and subsequent amendments thereto, a remaining instalment of $5,000 is due in 1974 and the balance of $51,250 is to be settled on April 30, 1975.

5. Lien notes

The lien notes payable totalling $3,184,892 are secured by liens on specific new vehicles and company and service vehicles.

6. Long term liabilities

	Current	Long-term	Total
Due to parent company, at 7%	$ 36,860	$ 147,420	$ 184,280
Other –			
Bank loan, at the prime bank rate plus 1½ %	24,000	62,000	86,000
Conditional sales contracts, at varying interest rates and maturities	19,400	93,699	113,099
Debenture, at 8½ %, due 1976	18,057	248,840	266,897
Debenture, at the prime bank rate plus 1½ % due 1974	2,400	278,436	280,836
Mortgage, at 8% due 1978	23,000	88,969	111,969
	123,717	919,364	1,043,081
Lien notes on rental and leased vehicles and lease purchase contracts, at varying rates of interest and maturities	162,559	2,980,995	3,143,554
	$286,276	$3,900,359	$4,186,635

The lender has agreed to renew the $280,836 debenture for a further five year period providing there is no material adverse change in the risk.

The principal payment requirements, except for lien notes, are due as follows:

1974	1975	1976	1977	1978	After 1978	Total
123,717	$124,585	$336,959	$101,260	$69,940	$286,620	$1,043,081

Lien notes on leased vehicles and lease purchase contracts maturing in 1974 and subsequent years are offset in each year by payments due on lease agreements with customers and in certain cases by anticipated proceeds on the sale of lease vehicles in the year in which the lease agreement expires. Accordingly lien notes on leased vehicles and lease purchase contracts maturing in 1974 are not included in current liabilities.

The principal repayment requirements on lien notes are due as follows:

1974	1975	1976	1977	1978	Total
$1,034,726	$981,470	$582,205	$284,127	$261,026	$3,143,554

Long-term debt is secured by substantially all of the assets of the Company and its subsidiaries.

7. Capital stock

During 1973 the company made a capital distribution of $100,000 to its shareholders thereby reducing its paid-up capital.

8. Contingent liabilities and contractual obligations

(a) The companies have discounted customer sales contracts with finance companies. The maximum contingent liability for losses from repossessions amounted to approximately $600,000 at December 31, 1973.

(b) Under contractual obligations with respect to leased premises the company and its subsidiaries are committed to aggregate annual rental payments of approximately $217,000 from 1974 to 1978 and approximately $134,000 in 1979, and approximately $53,000 from 1980 to 1987.

(c) Under contracts with Dinvest Management Limited providing for general management services to the two subsidiary companies operating automotive dealerships, these companies are committed to annual fees of $90,000 each, together with a bonus of 20% based upon profits of each of the companies. In 1973 such fees and bonus amounted to approximately $400,000.

9. Income taxes

The company and its subsidiaries have accumulated income tax losses of approximately $240,000 which are available to offset future taxable busines income. In addition, the company has a capital loss of $25,000 which is available to offset future taxable capital gains.

In prior years, the company incurred exploration and development expenses amounting to $500,000 which have been written off in the accounts but which may be deducted for tax purposes in a year in which the company's principal business is mining, or production of oil and gas, or certain related activities. In addition, a portion of this amount may be deducted from certain types of Canadian oil and gas revenue.

10. Subsequent events

Subsequent to December 31, 1973 the company acquired:

(a) a 5% working interest in a potential natural gas field in the Drumheller area of Alberta for the purpose of exploratory drilling. The company's initial commitment for this program is not expected to exceed $50,000, of which $5,000 was paid prior to the year end.

(b) a 3.3% gross overriding royalty on producing gas wells in the Princess area of Alberta. The cost of this investment is approximately $260,000, $80,000 payable on closing in March 1974 and the balance in the three equal annual instalments.

11. Comparative figures

Company vehicles included in fixed assets in the 1972 consolidated financial statements have been reclassified as inventory to conform with the method of presentation adopted in 1973.

MID INDUSTRIES AND EXPLORATIONS LIMITED

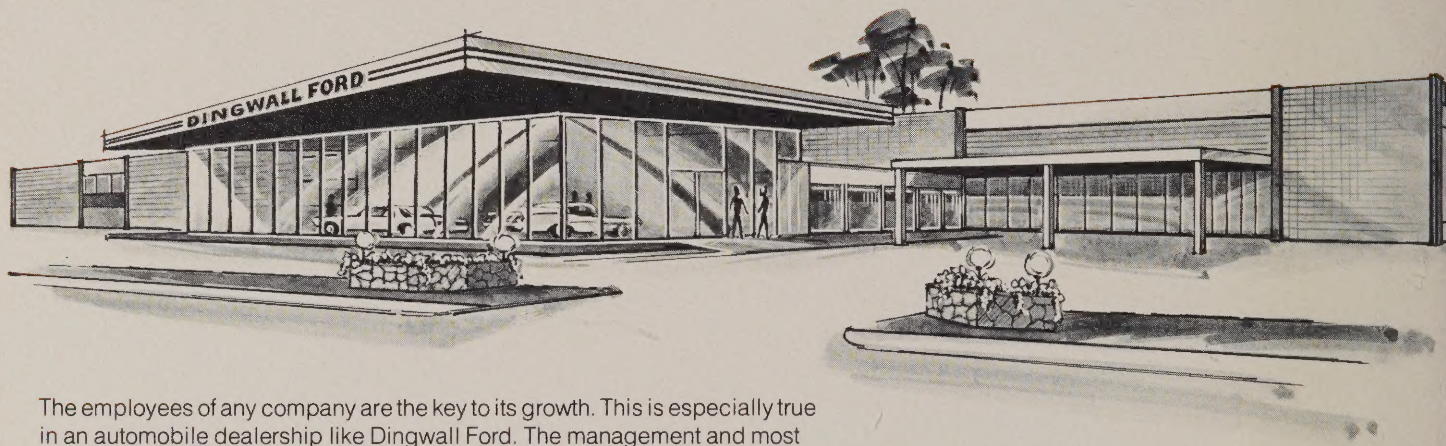
DIRECTORS	W. G. DINGWALL, Toronto, Ont. R. J. GIRARD, Windsor, Ont. S. McKEOUGH, Cedar Springs, Ont. A. D. PATTERSON, Toronto, Ont. N. M. SHAW, Montreal, Que. J. R. SHEMILT, Willowdale, Ont. H. S. TENNANT, London, Ont.
OFFICERS	W. G. DINGWALL, President – Chief Executive Officer J. T. MULLIGAN, Financial Vice-President – Treasurer R. I. MARTIN, Q.C., Secretary MISS EDITH GRAF, Asst. Secretary-Treasurer
HEAD OFFICE	Suite 1010, 615 Dorchester Blvd. West, Montreal 101, Que.
EXECUTIVE OFFICES	110 Church Street Toronto, Ontario M5C 2G6
CO-TRANSFER AGENTS AND REGISTRAR	ROYAL TRUST COMPANY 630 Dorchester Blvd. West, Montreal, Quebec ROYAL TRUST TOWER – P.O. Box 7500 Station "A", Toronto, Ontario M5W 1P9
AUDITORS	CLARKSON, GORDON & CO.
LISTED	Montreal Stock Exchange

MID INDUSTRIES AND EXPLORATIONS LIMITED

Mid Industries and Explorations Limited is a public listed company which owns and operates Dingwall Ford Sales, Windsor Car Rentals, Sherway Ford Truck Sales, Sherway Leasing and Mid Collision and Equipment. By centralizing its managerial and financial resources, Mid Industries can maximize the efficiency of its overall operations.

The future of the Mid Group is based on extending its influence into related transportation services. In this way, we will be able to grow with the increasing needs of our clients. Such expansion also offers a system of interrelated companies within which the employees of Mid Industries can advance and develop their skills, according to their abilities and desires.

DINGWALL FORD SALES

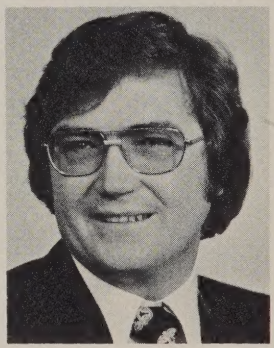


The employees of any company are the key to its growth. This is especially true in an automobile dealership like Dingwall Ford. The management and most of the staff can boast of 15 years' experience in the retail automobile business. For many, those years have been spent exclusively with Dingwall Ford.

Our facilities include: a two bay diagnostic clinic, over 81 service stalls, and a carpeted showroom capable of displaying 16 automobiles. With over eight and a half acres of display and serviceable space, our location is one of the show places of automobile retailing. As Windsor grows, so we grow. In our continuing effort to reach and serve the greater Windsor community, we have recently doubled the sales, leasing and service facility of our truck department.

Our leasing division, Windsor Car Rentals, is an established leasing operation with a fleet of cars and trucks of all manufacturers, to satisfy both the long and short-term needs of both companies and individuals in south western Ontario.

In general, many years of steady growth have established our reputation as Windsor's "BIG FORD STORE WITH THE PERSONAL TOUCH". Our highly competent personnel, along with a prime business location and community orientation, have enabled us to look after 20% of Windsor's transportation requirements. Such a record is perhaps the best reflection of our performance in the past, and the foundation we intend to build upon in the years to come.



Ray Girard, Vice-President and General Manager

MID COLLISION AND EQUIPMENT

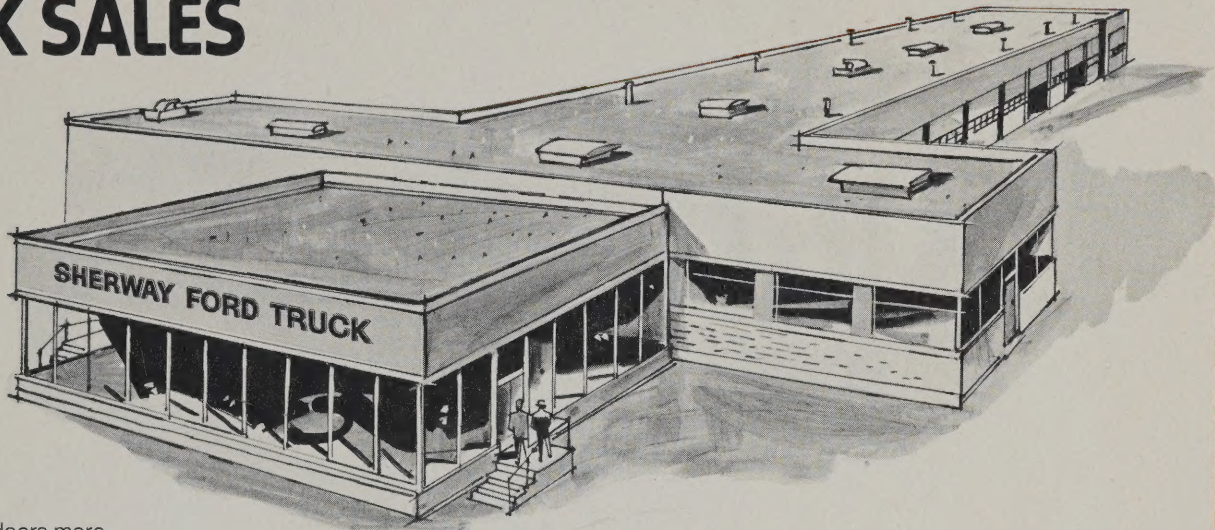
As the newest addition to the Mid Group, we serve the transportation community with a heavy truck repair, appearance and reconditioning centre. The needs of the growing truck and transportation industry in Toronto have opened up a market potential for services not immediately available through less specialized truck centres.

Besides complete collision repair facilities, we also offer alignment and frame straightening for any size vehicle. The reconditioning operations include abrasive steel blasting, a pressure and acid wash, and complete paint services.

Our location near the junction of Highway 427 and the Queensway makes us easily accessible from either 401 in the north or the Queen Elizabeth Highway in the south.

As a separate division of Mid Industries, we function as an independent service to all trucking firms. As a part of the Mid Group, we work in conjunction with Sherway Ford to give total truck service to the transportation industry in Toronto, and throughout southern Ontario.

SHERWAY FORD TRUCK SALES



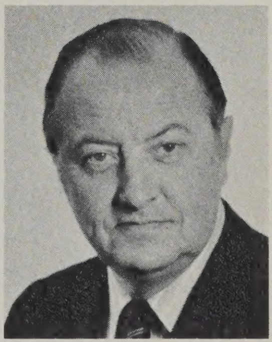
Since opening the doors more than four years ago, Sherway has been in a continual state of expansion keeping up to Toronto's growing truck industry.

Along with that expansion, people have played the most important part of the success that has been attained. Starting with 21 employees in 1969, Sherway has grown year by year to a complement today of over 100 employees who provide sales, service and parts requirements to Toronto's truck transportation industry.

The employees at Sherway work on a two-shift basis, providing our customers with 18 hours per day of mechanical service and parts availability, for not only Ford equipment, but that of Cummins, Detroit Allison, and Caterpillar.

A new fleet and leasing division has been created, "Sherway Leasing", autonomous from the sales department. We are meeting the demands of the short-term rental and leasing market with a fleet of over 50 diesel tractor-trailer units and specialized vehicles for the transportation industry.

Now, with Mid Collision and Equipment nearby, we can make efficient use of their reconditioning and heavy equipment services, and offer a total sales, mechanical and appearance service suiting the present and future needs of Sherway Ford Truck customers.



Don Patterson, Vice-President and General Manager.